



February 9, 1979  
NUMBER 5035.6

ASD(MRA&L)

## Department of Defense Directive

**SUBJECT** Purchase of United States Savings Bonds by DoD Personnel

- References:
- (a) DoD Directive 5035.6, "Solicitation of DoD Personnel to Voluntarily Purchase United States Savings Bonds, " January 26, 1968 (hereby canceled)
  - (b) DoD Directive 5400.11, "Personal Privacy and Rights of Individuals Regarding Their Personal Records," August 4, 1975 (Pub. L. 93-579, 5 U.S.C. 522a(b)(1))
  - (c) DoD Directive 1418.4, "Civilian Pay Allotments," February 20, 1974
  - (d) DoD Directive 7330.1, Voluntary Military Pay Allotments," May 24, 1974

### A. REISSUANCE AND PURPOSE

This Directive:

1. Reissues reference (a) to update Department of Defense policies governing solicitation of DoD personnel to purchase U.S. Savings Bonds; and
2. Supports the Interdepartmental Savings Bonds Campaign conducted annually within the Executive Branch by encouraging voluntary purchase of U.S. Savings Bonds by DoD personnel.

### B. APPLICABILITY

The provisions of this Directive apply to the Office of the Secretary of Defense, the Military Departments, the Organization of the Joint Chiefs of Staff, the Defense Agencies, and the Unified and Specified Commands (hereafter referred to as "DoD Components") .

### C. OBJECTIVE

1. The policies and procedures contained in this Directive are designed to make known to each civilian and military member of the Department of Defense the benefits which accrue to the country and to the member through participation in the Savings Bonds program.

2. The final decision on whether to purchase Savings Bonds rests with the individual member. Those who decline to make such purchases have the right to do so, and their reasons for declining are their own personal affairs.

D. POLICY

1. The Savings Bonds program is a continuing effort to encourage and promote the purchase of U.S. Savings Bonds through participation in the Federal Payroll Savings Plan. In pursuit of this program, DoD personnel should be (a) familiar with the vital needs which are being met through the program; (b) informed of the benefits which accrue to the country **and to** themselves through their bond purchases; and (c) encouraged to participate voluntarily, or to increase the amount by which they might already participate. **As** a rule, this is best done by trained canvassers.

2. Whether or not a DoD member buys bonds, as well as the amount he or she buys, is entirely up to the judgment of the individual. Coercion to induce an individual to make purchases under the program, or threats of reprisals for failing to do so, destroys the voluntary initiatives and is in direct contravention of Executive policy and this Directive. To ensure that any action to purchase U.S. Savings Bonds is voluntary

a. A dollar goal or "quota" will not be assigned to an individual under any Savings Bonds program or campaign.

b. While there may be percentage participation or comparable goals for the overall Savings Bonds program or campaign, assigned personnel should be advised of those goals in language which makes it clear that these goals are not "quotas" for any individual, organization, or station.

c. Access to records concerning employee participation in the Savings Bonds program may be necessary "to those officials and employees of the Department of Defense who have a need for the record in the performance of their duties and the use is compatible with the purpose for which the record is maintained." Disclosure under the Privacy Act (DoD Directive 5400.11, reference (b)) is based on a need-to-know concept.

(1) Consequently, disclosure is limited to personnel, who, in discharging their duties, require access to records (e.g., payroll and allotment clerks, and campaign workers who assist in implementing the program), and excludes supervisors not directly related to any functional campaign program requirement or consistent with the disclosure provisions of the Privacy Act (reference (b)).

(2) Disclosure should be restricted to only those personnel with a direct functional relationship to the campaign and for campaign

purposes only. Such personnel should be briefed on their responsibilities under the Privacy Act (DoD Directive 5400.11, reference (b)), with an admonition against unauthorized disclosure.

d. It is approved practice for commanders, organization heads, and other management officials to call to the attention of assigned DoD personnel the importance and benefits of the Savings Bonds program.

(1) It is also approved practice for DoD personnel to be canvassed on a person-to-person basis for the same purpose. In all such contacts, care will be exercised to avoid any action or practice, direct or indirect, calculated to impose coercive pressure to induce individual purchase of Savings Bonds.

(2) There is a difference between persuasion and coercion --and between promotion and pressure. The difference lies in the presence or absence of threats, stated or implied.

e. Pay allotments for the purchase of Savings Bonds under the provisions of DoD Directives 1418.4 and 7330.1 (references (c) and (d)), are entirely optional and voluntary.

(1) The individual has the right at any time to increase his or her allotment or to request cancellation of his or her Savings Bonds payroll deductions.

(2) Action on such a request shall not be contingent upon personal contact between the member and his or her commander, supervisor, local Savings Bonds campaign worker, or any individual, for the purpose of inquiring into the reasons for the request or similar purposes.

f. The granting of special favors, privileges or entitlements, such as special pass or leave privileges, as an inducement to purchase U.S. Savings Bonds constitutes coercive practice. Establishment of an express or implied requirement to purchase Savings Bonds as a condition precedent to normal career progression or to the granting of normal privileges and entitlements, violates both the letter and the spirit of this Directive.

#### E. RESPONSIBILITIES

1. The Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics) shall be responsible for the general administration of the Savings Bonds program of the Department of Defense.

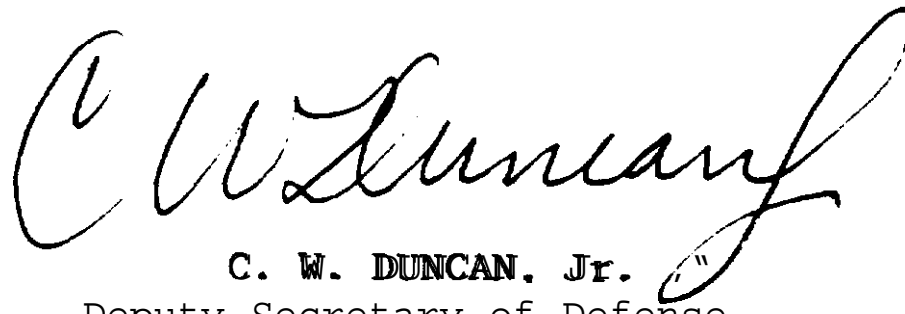
2. Consistent with the provisions of this Directive and such instructions as may be issued by the Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics), DoD Components shall be

responsible for the internal operation and administration of the Savings Bonds program within their respective organizations.

3. Heads of DoD Components, as appropriate, will assure that commanders , organization heads, supervisors and other management personnel, campaign workers, and all other individuals promoting the sale of U.S. Savings Bonds within their areas of jurisdiction are expressly informed of the policies set forth in this Directive.

F. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective immediately. Forward two copies of implementing documents to the Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics) within 120 days.



C. W. DUNCAN, Jr.  
Deputy Secretary of Defense

Enclosure - 1  
Background Information

BACKGROUND INFORMATION

1. Traditionally, investment in U.S. Savings Bonds has been a reaffirmation of faith in our system, a vote of confidence in the American future. Such reaffirmation of faith and vote of confidence appear especially meaningful under present circumstances.

a. Through the Federal Payroll Savings Plan, DoD civilian and military members are provided the opportunity to give full expression to the American habit of working together to make our country strong.

b. This citizen participation and involvement are American traditions. so, too, are thrift and the spirit of self-reliance that motivates it.

2. The rewards for thrift through payroll savings are better than ever. The 6 percent interest rate on Savings Bonds is the highest on record. They continue to draw interest beyond the new maturity period which is now 5 years--the shortest on record.

a. Savings Bonds are an absolutely safe investment, having the security of a Government guarantee. Further, they offer substantial tax advantages in that interest is exempt from State or local income and personal property taxes, and interest accrual may be deferred in the filing of Federal taxes until the bond is cashed or reaches final maturity.

b. This, in effect, may increase the yield if Savings Bonds are cashed in at retirement, when the owner can be expected to be in a lower tax bracket. Also, a Federal tax-free college fund may be established for children or grandchildren by following the prescribed procedures.

3. The purchase of Savings Bonds has a positive impact on this nation's economy as a whole. When an individual budgets a part of his or her income for payroll bond purchases, the money represents real savings and there is no inflationary effect.

a. The fact that this money is not spent for the purchase of goods and services is actually anti-inflationary. However, when the Treasury finances a portion of the public debt by selling bonds to commercial banks, in effect new money has been created and this is inflationary.

b. Further, United States debt managers are assisted by having approximately one-fifth of the privately held portion of the debt in E or H bond holdings. On the average, these bond holdings do not turn over nearly as fast as marketable debt consisting of interest-bearing securities.

Feb 9. 1979  
5035.6 (Encl 1)

4. The public debt is part of the cost of our Government doing business. A portion **of** this cost of doing business is the pay of Federal employees. Assistance in the management of this debt through the voluntary purchase of Savings Bonds is worthy of support by all DoD members.